Audit Committee– minutes

28 October 2019

Members:

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

Attendees:

ICO

Elizabeth Denham	Information Commissioner
Paul Arnold	Deputy Chief Executive Officer
Andrew Hubert	Director of Resources

Internal Auditors

Peter Cudlip	Mazars
Michaela Spiller	Mazars
Darren Jones	Mazars

External Auditors

David Eagles	BDO
Sid Sidhu	NAO
Robert Buysman	NAO

Secretariat

Chris Braithwaite	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

1. Introductions and apologies

1.1. Apologies for absence were received from Joanne Butler, Louise Byers and Gary Stewart.

1.2. Ailsa Beaton welcomed Darren Jones, who would be taking over from Michaela Spiller at Mazars, to his first Audit Committee meeting. Ailsa thanked Michaela for all her hard work for Mazars with the ICO. She particularly noted that Michaela had been vital in ensuring that the Mazars hit the ground running as the ICO's new internal audit provider, and this had been very successful.

2. Declaration of interests

2.1 No declarations of interest were made.

3. Matters arising from the previous meeting

3.1 The minutes of the previous meeting were approved as an accurate record.

3.2 Chris Braithwaite updated on the outstanding action relating to reporting on progress to meet the minimum cyber security standard. He explained that reports on progress with this work will be presented to the Committee's January and April meetings.

3.3 Ailsa Beaton reported that she had recently attended the DCMS arms-length bodies Audit Chairs meeting and provided an update on the issues discussed.

4. Deputy Chief Executive Officer's update

4.1 Paul Arnold provided the Committee with an update on matters relating to the Committee's work which were not otherwise addressed in the agenda. This included updates on workforce expansion, accommodation, capability and capacity plans, the regulatory landscape and the ICO governance structure.

5. Risk and Opportunity Register

5.1 The Committee considered a report setting out the risk register. Paul Arnold reported that the most recent review of the risk register identified several risks which had the potential to be reduced for the next quarter.

5.2 The Committee reviewed the risk relating to EU Exit and, given the mitigating actions already undertaken, considered whether it would be appropriate to reduce the risk. Notwithstanding this excellent work completed to date, the Committee agreed that due to the number of unknown factors still outstanding in this area, the risk score should not be reduced at this time. The phrasing of the risk should be reviewed to ensure that it accurately captured the current risk.

5.3 Paul Arnold reported that there had been an increase in the risk relating to financial forecasts, to recognise the projected deficit at year end. This risk had also been rephrased to ensure that it accurately captured the current risk.

5.4 Jane McCall asked for clarification regarding the reporting structure for the updates on the service alignment work. Paul Arnold explained that he would give a verbal update on progress to the next Management Board meeting and a further report to Management Board or Audit Committee in early 2020. He explained that all work was currently on track.

Action: Paul Arnold to provide updates on service alignment to the Management Board in November and Audit Committee or Management Board in early 2020.

5.5 Ailsa Beaton asked whether the ICO had the appropriate roles, capacity and capabilities within the finance team, given the significant recent expansion of the ICO. The Committee agreed that a report should be provided to the Committee to confirm that appropriate finance functions were in place going forward.

Action: Andrew Hubert to provide a report to Audit Committee on roles, capacity and capabilities within the finance team by the Committee's January 2020 meeting.

5.6 The Committee agreed that good progress had been made over the last year in risk management practices. The Committee welcomed the use of the risk register as a living, breathing document and a useful management tool to direct resources.

5.7 The Committee also noted the report on EU Exit preparedness, which had been submitted to DCMS and circulated to the Committee by email. There were no specific concerns in relation to this report.

6. Finance

6.1 Andrew Hubert explained that the ICO was currently projecting a year end deficit of c.£230k. This was due to data protection registration fee payments being lower than forecast.

6.2 The Committee was informed of the work the ICO was commencing, using data of the 4.6m companies registered at Companies House, to grow the data protection fee register. This would involve sending letters to organisations not currently on the data protection fee register, notifying them of the need to pay the data protection registration fee. The current target was to write to c.1m organisations by the end of 2019/20.

6.3 Paul Arnold explained that in the short term, it was hoped that this work would reduce the projected budget deficit for 2019/20. In the

long term, increasing the number of companies paying the data protection registration fee may allow the ICO to reduce the fee for all organisations, allowing the burden on funding data protection regulation to be shared equally.

6.4 In addition to the plans to increase the data protection fee register, the Committee was informed of the work being done to manage costs for the remainder of 2019/20.

6.5 Ailsa Beaton welcomed the proposed work to grow the data protection fee register and commented that the target should be to grow to the register sufficiently during 2019/20 to achieve a break-even position at year end.

7. ICO Litigation costs

7.1 The Committee considered a report which provided an update on work to put in place arrangements to allow the ICO to offset litigation costs, along the same lines as the model used by the Competition and Markets Authority. Paul Arnold reported that excellent progress had been made to date, including identifying short-term options to mitigate costs until a permanent solution is agreed.

7.2 The Committee considered the proposed criteria for what could be considered as litigation costs, set out in the report, and agreed that these were appropriate. The external auditors concurred with the recommendations in the report.

8. Internal Audit

Progress Report

8.1 Peter Cudlip confirmed that the internal audit for 2019/20 was on track, in line with changes to the audit plan which had been agreed between Mazars, the ICO and the Audit Committee.

8.2 The Committee confirmed that they were content with the removal of the audit of the ICO's impact as a regulator from the audit plan. However, the Committee asked for assurance that alternative plans were in place to complete this work outside of internal audit. Paul Arnold confirmed that the ICO was currently developing KPIs to measure its impact as a regulator, as part of the current constitutional review. A report will be presented to the next Audit Committee meeting.

Action: Paul Arnold to submit a report to the January 2020 Audit Committee meeting, setting out proposed KPIs to measure the ICO's impact as a regulator.

Risk Management Report

8.3 The Committee discussed the Risk Management Audit, particularly considering the risk maturity assessment. Mazars explained that the assessment of "risk defined" was similar to peer organisations and the audit result of adequate assurance was a strong outcome.

Core Financial Controls

8.4 Peter Cudlip highlighted the issue within the audit of segregation of duties in relation to journals. It was confirmed that Andrew Hubert had agreed with the recommendations made in this area.

8.5 The Committee agreed that the report requested earlier in the meeting regarding financial roles, capacity and capabilities would give further assurance in this area.

Grants Payment Audit

8.6 Lynne Currie, Head of Innovation, and Rob McCombe, Senior Policy Officer, joined the meeting for the Grants Payment audit.

8.7 Elizabeth Denham explained that the grants programme has been recognised internationally and had helped to build strong relationships with academics and civil society groups.

8.8 It was agreed that there should be a completion date for recommendation 4.6, rather than this being "ongoing". This due date should be the date by which the initial documentation was in place.

Action: Lynne Currie and Mazars to agree a due date for recommendation 4.6 of the grants payment audit.

9. Outstanding Audit Recommendations

9.1 Chris Braithwaite provided updates on the outstanding audit recommendations.

9.2 The Committee discussed the recommendations which were currently late and agreed that the revised due dates should be brought forward, with the aim of completing all of the late recommendations by the Committee's January 2020 meeting.

Action: Chris Braithwaite to work with outstanding action recommendation owners to complete all late actions by the January 2020 Audit Committee meeting.

10. External Audit Update

10.1 David Eagles from BDO provided an update on progress with the planning for the 2019/20 external audit. He explained that the planning report would be submitted to the Committee's January 2020 meeting, but he would seek to circulate this report before Christmas 2019 to allow advance consideration.

11. Annual Report and Financial Statements

11.1 The Committee considered the lessons learnt report for 2018-19 and the proposed plans for the 2019-20 annual report. Chris Braithwaite confirmed that the people responsible for each action had been identified.

11.2 The Committee were happy with the plans and timeline for the 2019-20 annual report.

12. Fraud, whistleblowing and security

12.1 Chris Braithwaite updated on the recent fraud and whistleblowing disclosures.

12.2 Ailsa Beaton confirmed she had received two disclosures under the whistleblowing procedure. However, she explained that these were not actually whistleblowing reports, but rather issues relating to the grievance process.

12.3 The Committee noted the increase in security incidents compared to the same period last year and discussed whether these were proportionate to the overall increase in staff numbers and activity during this period. The Committee agreed that future reports should provide more information of activity and staff numbers, to provide the Committee with more context for the number of incidents.

Action: Chris Braithwaite to ensure that future whistleblowing, fraud and security reports provide more information of activity and staff numbers, to provide the Committee with more context for the number of incidents.

12.4 Paul Arnold explained that security incidents had been discussed at the Information Risk and Governance Board. The Board was reviewing the processes to ensure that incidents can be minimised

as far as possible. However, the Board was aware that the ICO had high awareness of and compliance with reporting requirements; the Board was keen to ensure that any changes to processes did not discourage staff from reporting security incidents.

13. NAO guidance for Audit Committees

13.1 Chris Braithwaite reported that the regular NAO guidance update was due to be published in the Autumn, but had not been published to date. He would circulate this once published.

Action: Chris Braithwaite to circulate the Autumn 2019 NAO guidance for Audit Committees to the Committee, once published.

13.2 Sid Sidhu explained that as part of the 2019/20 audit planning report, he would provide a digest of findings across all DCMS arm-length bodies. He would also provide information of any guidance from the NAO relevant to the ICO within that report. The Committee welcomed this proposal.

14. Single tender contract awards

14.1 The Committee noted the report regarding single tender contract awards. Andrew Hubert confirmed that these awards were compliant with the procurement policy.

15. Any other Urgent Business

15.1 There were no items of other business.

15.2 Ailsa Beaton thanked Michaela Spiller for her work and wished her all the best for the future.